

Licensing reform for insurance agents and brokers

HB 1533

The problem

Washington's process for licensing insurance agents and brokers is an antiquated, paper-dependent system that lacks efficiency, interstate consistency and a future. The process is rooted in a decades-old computer system that has been patched and held together with the cyber equivalent of chewing gum and baling wire.

Moving forward

Right now, there are several independent factors coalescing in the insurance marketplace, at the national level and within the Office of the Insurance Commissioner that provide a perfect opportunity for upgrading the licensing and certification of insurance agents and brokers in Washington.

With an assist from the 2007 Legislature, the Insurance Commissioner is poised to introduce a 21st Century licensing mechanism for Washington's agent and broker community that will reduce delays, conserve resources and inject a national uniformity and reciprocity into a state-based process.

Improvements already underway

Under legislation approved and funded in 2005, the agency is replacing its central computer system with new technology and hardware that will enable the agency to realize savings, economies and efficiencies across our different divisions.

We've already had some success with faster turnarounds on license applications and renewals by fine-tuning current processes. We've also added features that allow agents and brokers to print out their own licenses using their office printers and to update their license information with just a few keystrokes on the computers.

The agency's proposals include plans to add more features and conveniences for agents and brokers that will enable them to transact all of their licensing business online, as well as other improvements and enhancements.

A fundamental change

While the enhancements described above add convenience and efficiency to our system, the biggest and most significant improvement will require the Legislature's approval. The Insurance Commissioner believes the time has arrived for Washington to join 38 other states by adopting the producer licensing model. This would allow the agency to issue one license to a "producer," eliminating the need for separate licenses for agents and brokers.

Only the licensing process will change – business relationships will not be affected

If our proposal is approved by the Legislature, the resulting changes will not affect the way that agents and brokers – as producers – conduct business and interact with their customers

and carriers. All that should pretty much stay the same. It is only the license and licensing process that will change. We'll maintain some important statutory differences that pertain to producers when they act as an agent or a broker. For instance, fee disclosure requirements and broker bonding requirements remain in place. We'll continue to take steps to ensure that important consumer protections and disclosure requirements will be maintained for the benefit of Washington's insurance-buying public.

Wait, there's more

In addition to the improvements and conveniences for producers, the process shift will improve regulation as well. Our regulatory approach will change. Instead of processing data and moving paper, we'll be able to make better use of our people. We'll shift our focus from "gatekeeper" to "auditor" and from data entry to data analysis. That means we'll be able to perform better quality control, working to ensure that Washington has the most effective consumer protection possible. The third winner will be insurance companies who also will benefit from having another state join the majority in standardizing laws and practices.

But an even bigger reason

A significant consideration for our requested change is the call that is being sounded at the national level. Originating within the insurance industry, this call has echoed in the halls of Congress, so far to mixed results. But some insurers are continuing to push for a national regulator to replace state insurance commissioners. By making this proposed change to our licensing process, we send a clear message to Congress that state-based regulation is capable of streamlining processes, encouraging uniformity and reciprocity between states, all the while maintaining the highest levels of consumer protection at the state level – where it is most effective.

In summary

The proposed statutory changes would:

- Replace separate agent and broker licenses with a single producer license
- Extend compensation disclosure requirements to all lines of insurance
- Maintain important consumer protection safeguards including fingerprinting requirements for producers and bonding requirements for producers acting as brokers (We would waive fingerprinting requirements for non-resident applicants if their home state requires fingerprints.)
- Expand the agency's options for disciplining producers who fail to meet their statutory obligations
- Streamline the appointment process, making appointment perpetual
- Reorganize and consolidate lines of authority, simplifying the regulatory burden
- Maintain revenue neutrality

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